SENATE BILL No. 211

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-13.6-7; IC 5-16-5.5-2; IC 5-30-8-4; IC 8-15-2-5; IC 8-23; IC 36-1-12.

Synopsis: Bonds for public works projects. Increases to \$500,000 the threshold at which bid, performance, and payment bonds are required for state and local public works.

Effective: June 30, 2007; July 1, 2007.

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January 8, 2007, read first time and referred to Committee on Local Government and Elections.





First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

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SENATE BILL No. 211

A BILL FOR AN ACT to amend the Indiana Code concerning state

Be it enacted by the General Assembly of the State of Indiana:

and local administration.



SECTION 1. IC 4-13.6-7-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 1. The director may apply **the retainage provisions of** this chapter to public works projects with an estimated cost less than the **amounts amount** specified in section 2 or 7 of this chapter.

SECTION 2. IC 4-13.6-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 5. (a) This section does not apply to a public works project unless the estimated cost of the public works project is more than five hundred thousand dollars (\$500,000).

(a) (b) The director may require each contractor to submit a good and sufficient bid bond with the bid. The bid bond may equal any percentage of the estimated cost of the public works project that the director requires.

(b) (c) The division may accept bonds provided on forms specified by the department or on forms given by surety companies.

SECTION 3. IC 4-13.6-7-6 IS AMENDED TO READ AS



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1	FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 6. (a) If the estimated
2	cost of the public works project is at least one more than five hundred
3	fifty thousand dollars (\$150,000), (\$500,000), the division shall require
4	the contractor to execute a good and sufficient payment bond to the
5	department for the state in an amount equal to one hundred percent
6	(100%) of the total contract price. The bond shall include at least the
7	following provisions:
8	(1) The contractor, its successors and assigns, whether by
9	operation of law or otherwise, and all subcontractors, their
10	successors and assigns, whether by operation of law or otherwise,
11	shall pay all indebtedness that may accrue to any person on
12	account of any labor or service performed or materials furnished
13	in relation to the public work.
14	(2) The bond shall directly inure to the benefit of subcontractors,
15	laborers, suppliers, and those performing service or who may
16	have furnished or supplied labor, material, or service in relation
17	to the public work.
18	(3) No change, modification, omission, or addition in or to the
19	terms or conditions of the contract, plans, specifications,
20	drawings, or profile or any irregularity or defect in the contract or
21	in the procedures preliminary to the letting and awarding of the
22	contract shall affect or operate to release or discharge the surety
23	in any way.
24	(4) The provisions and conditions of this chapter shall be a part of
25	the terms of the contract and bond.
26	(b) The division may permit the bond given by the contractor to
27	provide for incremental bonding in the form of multiple or
28	chronological bonds that, if taken as a whole, equal the total contract
29	price.
30	(c) The division may accept bonds provided on forms specified by
31	the division or on forms given by surety companies.
32	(d) The division shall hold the bond of a contractor for the use and
33	benefit of any claimant having an interest in it and entitled to its
34	benefits.
35	(e) The division shall not release sureties of a contractor until the
36	expiration of one (1) year after the final settlement with the contractor.
37	(f) If the estimated cost of the public works project is less than one
38	or equal to five hundred fifty thousand dollars (\$150,000) (\$500,000),
39	the director may require one (1) of the following:
40	(1) The contractor must execute a good and sufficient payment

bond. The director may determine the amount of the bond to be

any percentage, but no more than one hundred percent (100%), of



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(2) the division will to withhold retainage under this chapter in an amount of ten percent (10%) of the dollar value of all payments made to the contractor until the public work is substantially completed.

SECTION 4. IC 4-13.6-7-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 7. (a) If the estimated cost of the public works project is at least one more than five hundred fifty thousand dollars (\$150,000) (\$500,000), the division shall require the contractor to execute a good and sufficient performance bond to the department for the state in an amount equal to one hundred percent (100%) of the total contract price. The bond shall include at least the following provisions:

- (1) The contractor shall well and faithfully perform the contract.
- (2) No change, modification, omission, or addition in or to the terms or conditions of the contract, plans, specifications, drawings, or profile or any irregularity or defect in the contract or in the procedures preliminary to the letting and awarding of the contract shall affect or operate to release or discharge the surety in any way.
- (3) The provisions and conditions of this chapter shall be a part of the terms of the contract and bond.
- (b) The division may permit the bond given by the contractor to provide for incremental bonding in the form of multiple or chronological bonds that, if taken as a whole, equal the total contract price.
- (c) The division may accept bonds provided on forms specified by the division or on forms given by surety companies.
- (d) The division shall not release sureties of a contractor until the expiration of one (1) year after the final settlement with the contractor.

SECTION 5. IC 5-16-5.5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 2. To the extent that this chapter is applicable, all contracts between a contractor and a state agency concerning any public building, work, or improvement entered into after May 1, 1972, and which contracts are in excess of one five hundred thousand dollars (\$100,000); (\$500,000) are to be governed by the provisions of this chapter, as are the rights and duties among the parties to the contract and any subcontractors who do any work under the contract. All contracts governed by the provisions of this chapter shall include provisions for the retainage of portions of payments by a state agency to contractors, by contractors to subcontractors, and for the payment of subcontractors.







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1	SECTION 6. IC 5-30-8-4, AS ADDED BY P.L.74-2005, SECTION
2	1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1,
3	2007]: Sec. 4. (a) This section does not apply to a project unless the
4	estimated cost of the project is more than five hundred thousand
5	dollars (\$500,000).
6	(a) (b) The public agency shall require the design-builder to furnish
7	performance and payment bonds for the project.
8	(b) (c) A performance or payment bond is not required for, and does
9	not provide coverage for, the part of a design-build contract that
10	includes design services only.
11	(c) (d) Subsection (b) (c) does not impair the ability of the public
12	agency to seek recovery under the contract from the design-builder for
13	errors, omissions, or defects in the design services.
14	SECTION 7. IC 8-15-2-5, AS AMENDED BY P.L.47-2006,
15	SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16	JULY 1, 2007]: Sec. 5. The authority may do the following:
17	(1) Construct, maintain, repair, police, and operate toll road
18	projects (as defined in this chapter), public improvements, and
19	arterial streets and roads under section 1 of this chapter and
20	establish rules for the use of any such toll road project, public
21	improvement, or arterial street or road.
22	(2) Issue toll road revenue bonds of the state, payable solely from
23	an allocation of money from the rural transportation road fund
24	under IC 8-9.5-8-16 or from revenues or from the proceeds of
25	bonds issued under this chapter and earnings thereon, or from all
26	three (3), for the purpose of paying all or any part of the cost of
27	any one (1) or more toll road projects or for the purpose of
28	refunding any other toll road revenue bonds.
29	(3) Establish reserves from the proceeds of the sale of bonds or
30	from other funds, or both, to secure the payment of the bonds.
31	(4) Fix and revise from time to time and charge and collect tolls
32	for transit over each toll road project constructed by it.
33	(5) Acquire in the name of the state by purchase or otherwise, on
34	such terms and conditions and in such manner as it may deem
35	proper, or by the exercise of the right of condemnation in the
36	manner as provided by this chapter, such public or private lands,
37	including public parks, playgrounds or reservations, or parts
38	thereof or rights therein, rights-of-way, property, rights,
39	easements, and interests, as it may deem necessary for carrying
40	out the provisions of this chapter. The authority may also:
41	(A) sell, transfer, and convey any such land or any interest
42	therein so acquired, or any portion thereof, whether by



1	purchase, condemnation, or otherwise, and whether such land
2	or interest therein had been public or private, when the same
3	shall no longer be needed for such purposes; and
4	(B) transfer and convey any such lands or interest therein as
5	may be necessary or convenient for the construction and
6	operation of any toll road project, or as otherwise required
7	under the provisions of this chapter to a state agency or
8	political subdivision.
9	(6) Designate the locations and establish, limit, and control such
10	points of ingress to and egress from each toll road project as may
11	be necessary or desirable in the judgment of the authority to
12	ensure the proper operation and maintenance of such projects, and
13	to prohibit entrance to such project from any point not so
14	designated. The authority shall not grant, for the operation of
15	transient lodging facilities, either ingress to or egress from any
16	project, including the service areas thereof on which are located
17	service stations and restaurants, and including toll plazas and
18	paved portions of the right-of-way. The authority shall cause to be
19	erected, at its cost, at all points of ingress and egress, large and
20	suitable signs facing traffic from each direction on the toll road.
21	Such signs shall designate the number and other designations, if
22	any, of all United States or state highways of ingress or egress, the
23	names of all Indiana municipalities with a population of five
24	thousand (5,000) or more within a distance of seventy-five (75)
25	miles on such roads of ingress or egress, and the distance in miles
26	to such designated municipalities.
27	(7) Make and enter into all contracts and agreements necessary or
28	incidental to the performance of its duties and the execution of its
29	powers under this chapter, IC 8-9.5-8, or IC 8-15.5. When the cost
30	under any such contract or agreement, other than:
31	(A) a contract for compensation for personal services;
32	(B) a contract with the department under IC 8-9.5-8-7;
33	(C) a lease with the department under IC 8-9.5-8-8; or
34	(D) a contract, a lease, or another agreement under IC 8-15.5;
35	involves an expenditure of more than ten thousand dollars
36	(\$10,000), the authority shall make a written contract with the
37	lowest and best bidder after advertisement for not less than two
38	(2) consecutive weeks in a newspaper of general circulation in
39	Marion County, Indiana, and in such other publications as the
40	authority shall determine. Such notice shall state the general
41	character of the work and the general character of the materials to

be furnished, the place where plans and specifications therefor



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1	may be examined, and the time and place of receiving bids. Each
2	bid shall contain the full name of every person or company
3	interested in it and shall be accompanied by a sufficient bond or
4	certified check on a solvent bank that if the bid is accepted a
5	contract will be entered into and the performance of its proposal
6	secured. The authority may reject any and all bids. A bond with
7	good and sufficient surety shall be required by the authority of all
8	contractors in an amount equal to at least fifty percent (50%) of
9	the contract price, conditioned upon the faithful performance of
10	the contract. The authority may not require a bid,
11	performance, or payment bond from a contractor for a
12	project unless the estimated cost of the project is more than
13	five hundred thousand dollars (\$500,000).
14	(8) Employ consulting engineers, superintendents, managers, and
15	such other engineers, construction and accounting experts, bond
16	counsel, other attorneys with the approval of the attorney general,
17	and other employees and agents as may be necessary in its
18	judgment to carry out the provisions of this chapter, and to fix
19	their compensation. However, all such expenses shall be payable
20	solely from the proceeds of toll road revenue bonds issued under
21	the provisions of this chapter or from revenues.
22	(9) Receive and accept from any federal agency, subject to
23	IC 8-23-3, grants for or in aid of the construction of any toll road
24	project, and receive and accept aid or contributions from any
25	source of either money, property, labor, or other things of value,
26	to be held, used, and applied only for the purposes for which such
27	grants and contributions may be made, and repay any grant to the
28	authority or to the department from a federal agency if such
29	repayment is necessary to free the authority from restrictions
30	which the authority determines to be in the public interest to
31	remove.
32	(10) Establish fees, charges, terms, or conditions for any
33	expenditures, loans, or other form of financial participation in
34	projects authorized as public improvements on arterial streets and
35	roads under section 1 of this chapter.
36	(11) Accept gifts, devises, bequests, grants, loans, appropriations,
37	revenue sharing, other financing and assistance, and any other aid
38	from any source and agree to and comply with conditions attached
39	to the aid.
40	(12) Accept transfer of a state highway to the authority under
41	IC 8-23-7-23 and pay the cost of conversion of the state highway



to a toll road project.

1	(13) Enter into contracts or leases with the department under
2	IC 8-9.5-8-7 or IC 8-9.5-8-8 and in connection with the contracts
3	or leases agree with the department for coordination of the
4	operation and the repair and maintenance of toll road projects and
5	tollways which are contiguous parts of the same public road,
6	including joint toll collection facilities and equitable division of
7	tolls.
8	(14) Enter into public-private agreements under IC 8-15.5 and do
9	all acts and things necessary or proper to carry out the purposes
10	set forth in IC 8-15.5.
11	(15) Do all acts and things necessary or proper to carry out this
12	chapter.
13	SECTION 8. IC 8-23-7-19 IS AMENDED TO READ AS
14	FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 19. (a) If an exchange
15	under section 17 of this chapter includes improvements to be
16	constructed on either parcel of real property, the department shall enter
17	into an agreement with the owner of the parcel of property that the
18	department will receive. An agreement under this section must include
19	the following:
20	(1) The appraisal required under section 18 of this chapter must
21	include the value of improvements constructed or to be
22	constructed on the property.
23	(2) The construction contract for improvements under this section
24	must be guaranteed by a construction or performance bond issued
25	by a surety company approved by the department. The
26	department may not require a performance bond from a
27	contractor for a project unless the estimated cost of the
28	project is more than five hundred thousand dollars
29	(\$500,000).
30	(3) The plans and specifications for improvements under this
31	section must be certified by a licensed architect or engineer.
32	(b) The department must approve in writing the construction
33	contract, bond, plans, and specifications for the improvements before
34	entering into an exchange agreement under this section.
35	SECTION 9. IC 8-23-9-8 IS AMENDED TO READ AS FOLLOWS
36	[EFFECTIVE JULY 1, 2007]: Sec. 8. (a) This section does not apply
37	to a project unless the estimated cost of the project is more than
38	five hundred thousand dollars (\$500,000).
39	(b) Each bidder must submit a bid guarantee and a performance
40	bond payable to the state with the bidder's proposal. On contracts of
41	one hundred thousand dollars (\$100,000) or less the commissioner may

waive the bond requirements. Instead of the bond, the department may



establish by rule the requirements that, in its discretion, are necessary to assure payment of subcontractors, suppliers, and employees by the contractor.

SECTION 10. IC 36-1-12-4.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4.5. (a) This section applies to contracts for public work only if the cost of the public work is estimated to be more than five hundred thousand dollars (\$500,000).

- (a) (b) A bond or a certified check shall be filed with each bid by a bidder in the amount determined and specified by the board in the notice of the letting.
- (b) (c) The amount of the bond or certified check may not be set at more than ten percent (10%) of the contract price. The bond or certified check shall be made payable to the political subdivision or agency.
- (c) (d) All checks of unsuccessful bidders shall be returned to them by the board upon selection of successful bidders. Checks of successful bidders shall be held until delivery of the performance bond, as provided in section 14(e) of this chapter.

SECTION 11. IC 36-1-12-13.1, AS AMENDED BY P.L.120-2006, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 13.1. (a) Except as provided in subsection (f), this section applies to contracts for public work only if the cost of the public work is estimated to be more than one five hundred thousand dollars (\$100,000). (\$500,000).

- (b) The contractor shall execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price. The payment bond is binding on the contractor, the subcontractor, and their successors and assigns for the payment of all indebtedness to a person for labor and service performed, material furnished, or services rendered. The payment bond must state that it is for the benefit of the subcontractors, laborers, material suppliers, and those performing services.
- (c) The payment bond shall be deposited with the board. The payment bond must specify that:
 - (1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specifications, drawings, or profile;
 - (2) a defect in the public work contract; or
 - (3) a defect in the proceedings preliminary to the letting and awarding of the public work contract;

does not discharge the surety. The surety of the payment bond may not









be released until one (1) year after the board's final settlement with the contractor.

- (d) A person to whom money is due for labor performed, material furnished, or services provided shall, within sixty (60) days after the completion of the labor or service, or within sixty (60) days after the last item of material has been furnished, file with the board signed duplicate statements of the amount due. The board shall forward to the surety of the payment bond one (1) of the signed duplicate statements. However, failure of the board to forward a signed duplicate statement does not affect the rights of a person to whom money is due. In addition, a failure to forward the statement does not operate as a defense for the surety.
- (e) An action may not be brought against the surety until thirty (30) days after the filing of the signed duplicate statements with the board. If the indebtedness is not paid in full at the end of that thirty (30) day period the person may bring an action in court. The court action must be brought within sixty (60) days after the date of the final completion and acceptance of the public work.
- (f) This subsection applies to contracts for a capital improvement entered into by, for, or on behalf of the Indiana stadium and convention building authority created by IC 5-1-17-6. The board awarding the contract for the capital improvement project may waive any payment bond requirement if the board, after public notice and hearing, determines:
 - (1) that:

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- (A) an otherwise responsive and responsible bidder is unable to provide the payment bond; or
- (B) the cost or coverage of the payment bond is not in the best interest of the project; and
- (2) that an adequate alternative is provided through a letter of credit, additional retainage of at least ten percent (10%) of the contract amount, a joint payable check system, or other sufficient protective mechanism.

SECTION 12. IC 36-1-12-14, AS AMENDED BY P.L.120-2006, SECTION 5, AND AS AMENDED BY P.L.2-2006, SECTION 189, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 14. (a) This section applies to public work contracts in excess of one five hundred thousand dollars (\$100,000) (\$500,000) for projects other than highways, roads, streets, alleys, bridges, and appurtenant structures situated on streets, alleys, and dedicated highway rights-of-way. This section also applies to a lessor corporation qualifying under IC 21-5-11 IC 20-47-2 or

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IC 21-5-12 IC 20-47-3 or any other lease-back arrangement containing
an option to purchase, notwithstanding the statutory provisions
governing those leases.
(b) A board that enters into a contract for public work, and a
contractor who subcontracts parts of that contract, shall include in their
respective contracts provisions for the retainage of portions of
payments by the board to contractors, by contractors to subcontractors,
and for the payment of subcontractors. At the discretion of the
contractor, the retainage shall be held by the board or shall be placed
in an escrow account with a bank, savings and loan institution, or the
state as the escrow agent. The escrow agent shall be selected by mutual

(1) the board and the contractor; or

and loan institution and:

(2) the subcontractor and the contractor.

The board shall not be required to pay interest on the amounts of retainage that it holds under this section.

agreement between board and contractor or contractor and

subcontractor under a written agreement among the bank or savings

- (c) To determine the amount of retainage to be withheld, the board shall:
 - (1) withhold no more than ten percent (10%) of the dollar value of all work satisfactorily completed until the public work is fifty percent (50%) completed, and nothing further after that; or
 - (2) withhold no more than five percent (5%) of the dollar value of all work satisfactorily completed until the public work is substantially completed.

If upon substantial completion of the public work minor items remain uncompleted, an amount computed under subsection (f) of this section shall be withheld until those items are completed.

- (d) The escrow agreement must contain the following provisions:
 - (1) The escrow agent shall invest all escrowed principal in obligations selected by the escrow agent.
 - (2) The escrow agent shall hold the escrowed principal and income until receipt of notice from the board and the contractor, or the contractor and the subcontractor, specifying the part of the escrowed principal to be released from the escrow and the person to whom that portion is to be released. After receipt of the notice, the escrow agent shall remit the designated part of escrowed principal and the same proportion of then escrowed income to the person specified in the notice.
 - (3) The escrow agent shall be compensated for the agent's services. The parties may agree on a reasonable fee comparable











1 with fees being charged for the handling of escrow accounts of 2 similar size and duration. The fee shall be paid from the escrowed 3 income. 4 The escrow agreement may include other terms and conditions 5 consistent with this subsection, including provisions authorizing the 6 escrow agent to commingle the escrowed funds with funds held in 7 other escrow accounts and limiting the liability of the escrow agent. 8 (e) Except as provided by subsection (i), (h), the contractor shall 9 furnish the board with a performance bond equal to the contract price. 10 If acceptable to the board, the performance bond may provide for 11 incremental bonding in the form of multiple or chronological bonds 12 that, when taken as a whole, equal the contract price. The surety on the 13 performance bond may not be released until one (1) year after the date 14 of the board's final settlement with the contractor. The performance 15 bond must specify that: 16 (1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specifications, 17 18 drawings, or profile; 19 (2) a defect in the public work contract; or 20 (3) a defect in the proceedings preliminary to the letting and 21 awarding of the public work contract; 22 does not discharge the surety. 23 (f) The board or escrow agent shall pay the contractor within 24 sixty-one (61) days after the date of substantial completion, subject to 25 sections 11 and 12 of this chapter. Payment by the escrow agent shall 26 include all escrowed principal and escrowed income. If within 27 sixty-one (61) days after the date of substantial completion there 2.8 remain uncompleted minor items, an amount equal to two hundred 29 percent (200%) of the value of each item as determined by the 30 architect-engineer shall be withheld until the item is completed. 31 Required warranties begin not later than the date of substantial 32 completion. (g) Actions against a surety on a performance bond must be brought 33

(g) Actions against a surety on a performance bond must be brought within one (1) year after the date of the board's final settlement with the contractor.

(h) This subsection applies to public work contracts of less than two hundred fifty thousand dollars (\$250,000). The board may waive the performance bond requirement of subsection (e) and accept from a contractor an irrevocable letter of credit for an equivalent amount from an Indiana financial institution approved by the department of financial institutions instead of a performance bond. Subsections (e) through (g) apply to a letter of credit submitted under this subsection.



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1	(i) (h) This subsection applies to the Indiana stadium and	
2	convention building authority created by IC 5-1-17-6. The board	
3	awarding the contract for a capital improvement project may waive	
4	any performance bond requirement if the board, after public notice	
5	and hearing, determines:	
6	(1) that:	
7	(A) an otherwise responsive and responsible bidder is unable	
8	to provide the performance bond; or	
9	(B) the cost or coverage of the performance bond is not in the	
10	best interest of the project; and	
11	(2) that an adequate alternative is provided through a letter of	
12	credit, additional retainage of at least ten percent (10%) of the	
13	contract amount, a joint payable check system, or other sufficient	
14	protective mechanism.	
15	SECTION 13. [EFFECTIVE JUNE 30, 2007] IC 4-13.6-7,	
16	IC 5-16-5.5-2, IC 5-30-8-4, IC 8-15-2-5, IC 8-23-7-19, IC 8-23-9-8,	
17	and IC 36-1-12, all as amended by this act, apply only to public	
18	works contracts entered into after June 30, 2007.	
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